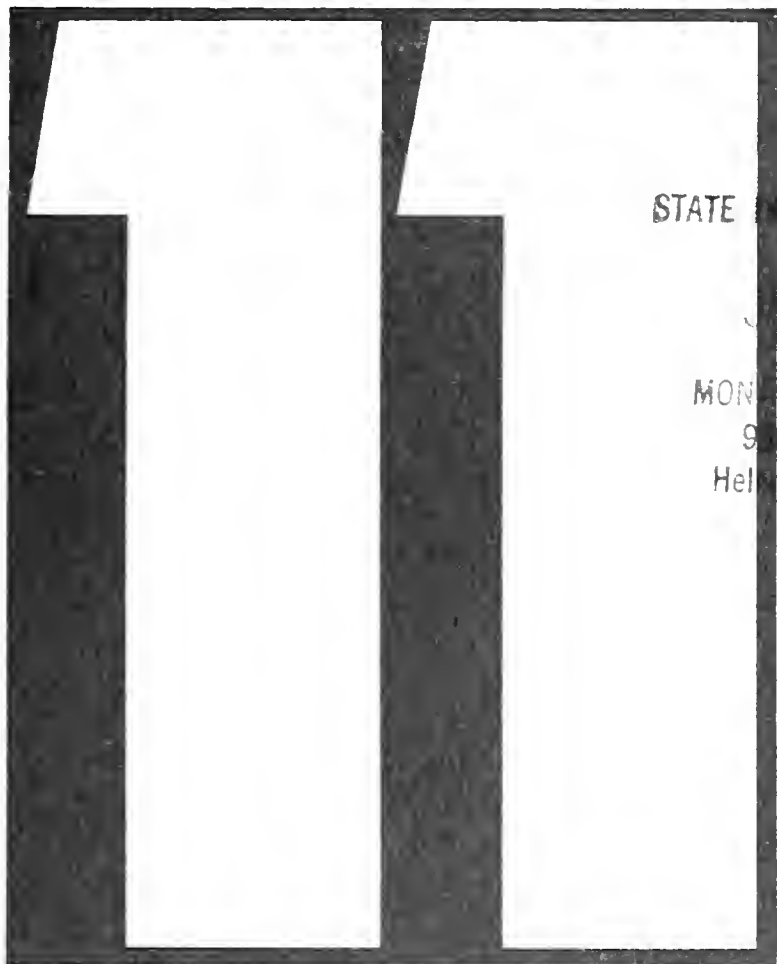


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Helena, Montana 59601

ENERGY SAVING LAWS

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RESOURCES & CONSERVATION
ENERGY DIVISION

DNRC

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INTRODUCTION

This booklet contains information to help Montana residents take advantage of eleven energy-saving, money-saving state laws and programs, with particular emphasis on recent changes in these. The material has been prepared by the Energy Division of the Montana Department of Natural Resources and Conservation.

In addition, the appendix includes descriptions of federal energy tax credits and sources of energy information.

For information about energy in Montana, contact the Energy Division, DNRC, 32 South Ewing, Helena, MT 59601.

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1.

Income Tax Credit for Renewable Energy

Individuals who install a renewable energy system¹ in their principal residence in Montana before December 31, 1982, can claim a credit to reduce their state income tax. They can earn credit for systems installed since December 31, 1976, if not already claimed. The maximum credit is \$125: 5 percent of the first \$1,000 of the cost of the system, plus 2½ percent of the next \$3,000.

A state income tax credit is subtracted directly from the state income tax you owe. If your 1979 tax is \$496, for example, and you claimed a \$125 credit for installing a renewable energy system, you can reduce your tax to \$371; your savings will be \$125.

The cost both of materials and of installation may be used to determine the amount of the tax credit, but you must subtract the value of any public or private grants you received for the project. Although you may not claim a greater credit in any one year than the state income tax you owe, any unused portion of the credit may be carried over and used within four years after installation of the system.

Qualifying renewable energy systems use solar energy, wind, solid wastes, or the decomposition of organic wastes for energy generation. Also included are systems for generating electricity from wood wastes and hydropower from impoundments no larger than 20 acres. The 1979 Legislature made passive solar systems eligible for the income tax credit and the property tax exemption.² However, only the portion of the passive system that is designed to collect, store, and distribute solar energy (additional south-facing windows or heat storage mass, for example) qualifies. A few examples of eligible renewable energy systems are geothermal space heaters, small-scale hydropower systems, wind-powered electrical generators, and active or passive solar installations.

It should also be noted that the Department of Revenue will not allow tax credit (or property tax exemption) for the following items:

- 1) Heat pumps
- 2) Wood stoves
- 3) Fireplaces

To claim the renewable energy state income tax credit, fill out Form 2B from your Montana income tax return package. A completed sample of the form follows.

¹The legal term for these systems is "recognized nonfossil energy generation systems."

²1979 House Bill 534, Section 15-32-101, MCA

Form 2B

Montana Individual Income Tax

CREDIT ALLOWED RESIDENTS FOR NONFOSSIL ENERGY SYSTEM INSTALLED IN TAXPAYER'S PRINCIPAL DWELLING
(Attach to your return - See instructions on back)

Name(s) as shown on Form 2	Social Security Number
Elmer Granger	550-00-0010

Address of installation 5 miles West of Two Dot, Montana

Date installation was completed in your home (in the event you acquired title to a dwelling to be used as your principal residence and the dwelling came equipped with a nonfossil energy system, give date of acquisition)

Description of installation 1.5 watt wind electric generator system (Energetech 1500) 60-foot tower, And control Anemometer for system.

Computation of Credit

1	Cost of system, including cost of installing	\$5,200 ⁰⁰	
2	Amount of grants received		
3	Subtract line 2 from line 1 and enter difference (but not more than \$4,000)	\$4,000 ⁰⁰	
4	Enter 5% of the first \$1,000 shown on line 3		\$50 ⁰⁰
5	Enter 2 5% of the amount on line 3 in excess of \$1,000		\$75 ⁰⁰
6	Total of lines 4 and 5 Enter here and on line 81 of Schedule IV, Form 2A of your return (TAX CREDIT ONLY. NOT AN ITEMIZED DEDUCTION. MAXIMUM AMOUNT \$125)		\$125 ⁰⁰

2.

Property Tax Exemption for Renewable Energy

An individual or firm that installs a renewable energy system (see definition of renewable energy system in 1. above) in any kind of building in Montana after January 1, 1979, is eligible for a 10-year property tax exemption based on the value of the system. For a single family residential dwelling (including mobile homes), property taxes are exempted on up to \$20,000 of the system's appraised value. Up to \$100,000 of the system's value is exempt if installed in a multi-family residential dwelling or in a nonresidential structure.³

The assessor in each county administers the property tax exemption, following rules adopted by the Department of Revenue Property Assessment Division. Contact the assessor directly to apply for an exemption. For answers to questions about the law, contact either your county assessor or the Property Assessment Division, Montana Department of Revenue, Capitol Station, Helena, MT 59601 (449-2808).

³House Bill 299, Section 15-5-201 MCA 1979

3.

Income Tax Deduction for Energy Conservation

Montana taxpayers can qualify for a maximum \$1,800 state income tax deduction for energy conservation work installed in residential buildings, and a maximum \$3,600 deduction for commercial, industrial, or agricultural buildings.

A state income tax deduction is subtracted from your adjusted gross income before your tax is computed. If your 1979 income is \$12,000, for example, but you claimed a \$1,250 deduction for investing in energy conservation, your taxable income will then be \$10,750. In that tax bracket, a \$1,250 deduction will save you about \$100. The amount of savings will vary according to the tax bracket.

The costs of materials and of installation of an energy conservation project, minus the value of public or private grants received, are eligible for the tax deduction. The entire cost of energy conservation work done in existing structures qualifies for the deduction, but in new construction only the portion of the work that exceeds state energy conservation standards is eligible.

The following tables show the value of the tax deduction:

If the installation is made
in a residential building:

100% of the first \$1,000 expended,
50% of the next \$1,000 expended
20% of the next \$1,000 expended
10% of the next \$1,000 expended

If the installation is made in a
building not used as a residence:

100% of the first \$2,000 expended
50% of the next \$2,000 expended
20% of the next \$2,000 expended
10% of the next \$2,000 expended

The tax deduction may be taken only for the year the installation is completed and only for buildings (including mobile homes) located in Montana.

Energy conservation installations qualifying for the income tax deduction include insulation, storm doors and windows, hot-water restrictors, caulking and weatherstripping, and clock-regulated thermostats. Presently, wood stoves, fireplaces, and fireplace modifications (with the exception of glass fireplace doors) are not eligible for these three state tax incentives.

To apply, fill out Form 2C from your Montana income tax return package. A completed sample of the form follows:

4. Solar Easements

The 1979 Legislature authorized the establishment of solar easements to help protect Montanans' investments in solar energy.⁴ A solar easement, like other easements, is a legal device to allow a landowner to transfer the right to use property in certain specified ways, without transferring the actual ownership of the property. The landowner can still use the land in any way that doesn't interfere with the rights granted to the person holding the easement.

With a utility easement, for example, the landowner might grant the utility company a corridor in which to install and maintain underground service lines to a building. With an access easement, the landowner might grant neighboring landowners a path or driveway to reach their property. And with a solar easement, the landowner might grant a neighbor an unshaded path from the sun to a solar energy device.

At the time of the granting of the easement, the owner of the property must agree to the action, since the solar easement is a voluntary procedure. But once granted, an easement remains in effect even if the landowner who granted it sells the property. The easement can also be granted for a specified period of time, or under specified conditions (until a planned road is developed, for example).

A solar easement must be properly filed with the local clerk and recorder's office. The written document must at least specify the legal description (boundaries) of the property, the vertical and horizontal angles at which the easement extends over the property, and any conditions under which the easement is granted or may be terminated. Besides these requirements, standard rules for documenting an easement may apply. The clerk and recorder can explain these. Establishing an easement can be a complicated matter and may require consultation with a planner, architect, lawyer, or other person experienced in drawing up easements.

⁴1979 House Bill 833, Section 70-17-501, MCA

5. Gasohol License Tax Reduction

Under a new state law, gasohol (a blend of gasoline and at least 10 percent ethanol) produced in Montana from Montana-grown agricultural products will be taxed at a lower rate than standard gasoline.⁵ The 1979 Legislature set up a sliding scale of fees for eligible gasohol, replacing the current 9¢/gallon tax on standard gasoline:

- beginning April 1, 1979, gasohol is taxed at 2¢/gallon
- beginning April 1, 1985, gasohol is taxed at 4¢/gallon
- beginning April 1, 1987, gasohol is taxed at 6¢/gallon

The special tax rates terminate on April 1, 1989. If the tax on standard gasoline ever falls below the gasohol scale during that time, the lower rate will apply to the gasohol as well. But if it's determined that the loss of tax revenues from gasohol is significantly hurting the maintenance or construction of the state or federal highway system, the governor can suspend the lower gasohol tax rate.

Prospective gasohol distributors, before beginning operations in the state, must purchase a license and post a bond (at least \$1,000) with the Department of Revenue's Motor Fuel Tax Division, Capitol Station, Helena, MT 59601 (449-3474). That office can also answer questions about the gasohol license tax break.

⁵1979 House Bill 402, Section 15-70-204, MCA

6.

Gasohol Facility Property Tax Reduction

Beginning January 1, 1980, property taxes will be reduced for any real or personal property used primarily in the production of gasohol in Montana. A new law, passed by the 1979 Legislature, allows the tax reduction during the construction of the gasohol facility and its first three years of operation.⁶ Eligible gasohol facilities are taxed as class five property, which is taxed at 3 percent of its market value.

More information is available from your county assessor, or from the Department of Revenue Property Assessment Division, Capitol Station, Helena, MT 59601 (449-2808).

⁶1979 Senate Bill 523, Section 15-6-135, MCA

7. Grants for Fuels from Wheat and Barley

Montana collects a tax on all wheat and barley grown in the state and sold through commercial channels. The 1979 Legislature authorized the use of up to \$200,000 of these tax revenues each year to fund a grant program promoting the use of Montana-grown wheat and barley as a source of fuel.⁷ A research or demonstration project (a biomass-fired generator or gasohol plant, for example) may be eligible for a grant for part or all of its cost. The project can also address the use of agricultural residues from a fuel-producing process as a food source.

The Montana Department of Agriculture administers the program, which continues through June 30, 1983. Applicants should be residents of Montana, and projects should be conducted mainly within the state. There is no minimum grant size. Applications for grants of more than \$100,000 are discouraged, though not prohibited.

Get complete rules for applying for a grant from the Department of Agriculture's Food and Fuel Coordinator, 6th and Roberts, Helena, MT 59601 (449-3144).

⁷1979 Senate Bill 520, Section 80-11-221 MCA

8.

Alternative Renewable Energy Sources Grants

The Department of Natural Resources and Conservation has been authorized since 1975 to award grants to encourage research, development, and demonstration of renewable energy sources, such as solar, wind, geothermal and biofuel. The grants support projects conducted within the state that address Montana's energy needs, particularly directed toward individual inventiveness and small-scale, decentralized energy generation.

There have been two recent changes in the program. First, the 1979 Legislature expanded it to allow grants to projects promoting the commercial marketing of renewable energy sources.⁸ Second, under a bill passed by the 1977 Legislature, the grant program now receives 2.5 percent of revenues from the state coal severance tax. Before January 1, 1980, the program had received 1.875 percent.

Over 100 grants have already been awarded under the program. Examples of projects funded are geothermal space heating plans for a subdivision, an alternative small-scale hydroelectric system, a residential solar water heater and a wind-powered electrical generator.

Examples of projects considered inappropriate for funding are already completed projects, previously demonstrated methods or technologies, heaters for private swimming pools, and basic conservation methods such as insulation and weatherstripping. Applications for grants of more than \$100,000 are allowed, but not encouraged.

Public libraries have copies of the department's "Guidelines for Preparing Grant Proposals to the Alternative Energy Sources Program," which gives complete rules for applying. The program accepts unsolicited proposals from August 1 to October 1 of each year. Copies of the guidelines are also available at DNRC, Renewable Energy Bureau, 32 S. Ewing, Helena, MT 59601 (449-4624).

⁸1979 Senate Bill 401 Section 90-4-101, MCA



Low-Interest Loans for Renewable Energy and Energy Conservation

Public utilities and financial institutions in Montana may now make low-interest loans for energy conservation or renewable energy generation under a law passed by the 1979 Legislature.⁹

Public utilities that provide natural gas or electric service within the state may make energy conservation loans to their customers at a maximum annual interest rate of 7 percent. There is no minimum rate. They may also make renewable energy loans at an annual rate between 5 percent and 7 percent.

Montana financial institutions (state and federally chartered banks and trust companies, savings and loan associations, credit unions, and consumer loan companies) may also make low-interest loans. The maximum rate the institutions may charge is two percentage points below the discount rate on 90-day commercial paper, an interest rate given to preferred customers. This rate may change at irregular intervals. Call a financial institution to learn the current rate. There is no minimum rate for the loans, and the same maximum applies to both energy conservation and renewable energy loans.

Participation in the loan program by any utility or financial institution is voluntary. Those that participate earn state tax credits to reimburse them for the costs of the program. But the amount of credit each can claim is limited, restricting the number of loans made each year.

Financial Institutions

Each financial institution participating in the program develops its own application procedures and forms. For information on applying, loan terms, and interest rates, contact each financial institution directly.

Public Utilities

Three public utilities in Montana have already developed low-interest energy loan programs. All mainly provide loans for energy conservation, rather than for renewable energy generation.

⁹1979 House Bill 649, Section 15-32-107, MCA

Great Falls Gas Company conducts an insulation sales and financing program for residents of Great Falls and the surrounding area. The company will check customers' homes and recommend conservation techniques. Where insulation is necessary, the company will install insulation and finance the cost of materials and installation at 7 percent interest for 36 months. Interested customers should contact the Great Falls Gas Company, P.O. Box 2229, Great Falls, MT 59403 (761-7100).

Montana Power Company will lend its customers up to \$1,500 interest free for 36 months for energy conservation projects. MPC accepts applications for basic weatherization work on residential buildings with four or fewer dwelling units. Both renters and homeowners may apply. MPC will conduct a free energy audit and recommend useful conservation techniques for all of its customers, whether or not they apply for the low-interest loan program.

Interested customers should contact the MPC business office that serves their area.

Montana Power Company

BUTTE: 40 East Broadway, 59701	723-5421
BILLINGS: 113 North Broadway, 59103	252-0591
BOZEMAN: 1006 West Main, 59715	586-1331
GREAT FALLS: 101 Central Ave., 59403	453-0321
HAVRE: 321 Second St., 59501	265-7876
HELENA: 1315 North Main, 59601	442-4610
KALISPELL: 411 First Ave. West, 59901	755-7186
LEWISTOWN: 509 West Main, 59457	538-5415
LIVINGSTON: 224 South B, 59047	222-2521
MISSOULA: 1093 Russel, 59801	549-2301

Pacific Power and Light will also provide its customers with interest-free loans for energy conservation. PP&L customers who own electrically heated homes built before August, 1978 are eligible for the program. There is no fixed time limit on the PP&L loans, and they're paid back when the home is sold or otherwise changes hands. PP&L will perform a free energy analysis for its customers and advise them how to improve energy efficiency.

Interested customers should contact the PP&L business office that serves their area.

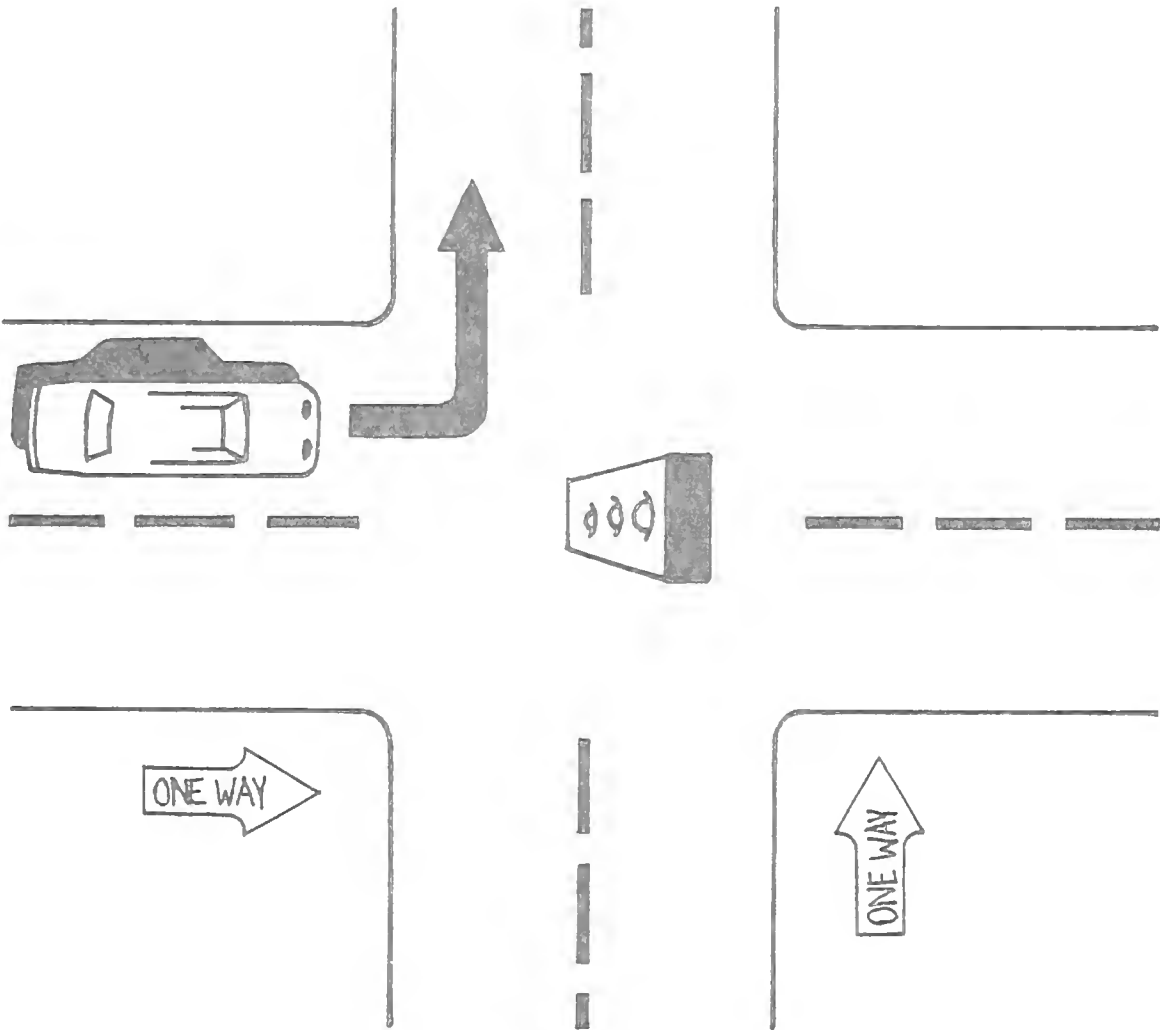
Pacific Power and Light

KALISPELL: 448 South Main, 59901	755-7461
LIBBY: 121 West Fourth, 59923	293-4107
WHITEFISH: 307 Spokane Ave., 59937	862-3565

10. Left-Turn-On-Red

Montana's right-turn-on-red law proved effective in reducing the amounts of time and gas motorists spent idling at traffic lights, so the 1979 Legislature added an amendment to the law that may save more.

Under the new rule, when two one-way streets intersect, motorists may now turn left after stopping for a red light.¹⁰ The same restrictions hold for the left-turn-on-red as for the right-turn-on-red: the motorist must come to a complete stop at the traffic signal and yield to pedestrians and vehicles lawfully using the intersection. A left-turn-on-red is not allowed at intersections marked with signs prohibiting the maneuver.



¹⁰1979 Senate Bill 77, Section 61-8-207, MCA

11.

Federal Tax Credits

Conservation: Both owners and renters of dwellings are eligible for a tax credit, provided they actually pay for the qualifying items. Eligible expenses would be:

- insulation designed to reduce heat loss or heat gain of a residence or water heater
- storm or thermal windows or doors for the exterior of the dwelling
- caulking or weatherstripping of exterior doors or windows
- clock thermostats or other automatic energy saving setback thermostats
- furnace modifications designed to increase fuel efficiency, including replacement burners, modified flue openings, and ignition systems that replace a gas pilot light
- meters that display the cost of energy usage
- additional items, when specified by the Secretary of the Treasury as increasing the efficiency of the dwelling.

Items that DO NOT qualify for the tax credit include: heat pumps, fluorescent lights, wood or peat-burning stoves, replacement boilers and furnaces, and hydrogen-fuels equipment. (At the time of this writing, wood burning equipment is being considered for the credit.)

The equipment must be installed on your principal residence (not on a vacation home). You must be the original user of the equipment claimed for the credit. Only expenditures between April 20, 1977 and December 31, 1985 may be claimed.

How to Claim the Credit: The tax credit is 15 percent of the first \$2,000 spent on eligible material and equipment to conserve energy, for a maximum credit of \$300. No more than \$300 may be claimed during the entire period for which the tax credit is available. The 15 percent credit must be claimed for the tax year in which the items are installed.

To claim the credit you must file Form 5695 with your income tax return. After calculating the amount of credit that you qualify for, you subtract this credit from your income tax liability. You do not need to itemize deductions to claim this credit. If you itemize, do not list your equipment expense or your tax credit as an itemized deduction. If your tax credit exceeds your tax liability, you may carry over the unused amount to a future tax year. For additional information, get Publication 903, *Energy Credits for Individuals*; or contact the Internal Revenue Service toll free, (800) 452-9100.

Renewable Energy: Homeowners may also receive an additional energy credit for amounts they spend on solar, wind-powered or geothermal installations for their homes. The renewable energy equipment must be installed in connection with a principal residence and must meet the following requirements: (1) It must meet certain performance and quality standards to be specified by the Secretary of the Treasury; (2) The item must be expected to remain in use for at least five years. Equipment to heat swimming pools does not qualify.

The tax credit is 30 percent of the first \$2,000 plus 20 percent of the next \$8,000 of qualifying expenditures (up to a maximum of \$10,000). These expenditures include labor costs, installation, and equipment but exclude structural components of the dwelling. You may claim the credit more than once if you expand an existing system or purchase more than one system, but the cumulative credit is \$2,200 on one residence.

To claim this credit use the same Form 5695 mentioned above and file with your income tax return. More details on this are available from the Internal Revenue Service in Publication 903.

FEDERAL SOURCES OF ENERGY INFORMATION

General Inquiries

Office of Public Affairs
U.S. Department of Energy
Washington, D.C. 20585
(202) 252-5806

QUESTIONS ABOUT. . .

Natural Gas Regulations

CONTACT. . .

Office of Public Information
Federal Energy Regulatory Commission
Washington, D.C. 20426
(202) 275-4006

Solar and Conservation Tax Credits

Utility Rate Reform

Local Internal Revenue Service Office

Office of Public Information
Federal Energy Regulatory Commission
Washington, D.C. 20426
(202) 275-4006

Office of Public Information
Economic Regulatory Administration
Washington, D.C. 20461
(202) 634-2170

Conversion to Coal

Office of Public Information
Economic Regulatory Administration
Washington, D.C. 20461
(202) 634-2170

Weatherization of Low-Income Housing

Office of Buildings and
Community Systems
U.S. Department of Energy
Washington, D.C. 20545
(202) 376-4646

Solar (Including Tax Credits)

Solar Heating and Cooling
Information Center
P. O. Box 1607
Rockville, MD 20850
(800) 523-2929
(toll free number)

Utility Energy Audits

Office of Buildings and
Community Systems
U.S. Department of Energy
Washington, D.C. 20545
(202) 376-4646

Government Assisted Loans for
Conservation and Solar Energy

Government National Mortgage
Association
U.S. Department of Housing and
Urban Development
Room 6204
Washington, D.C. 20410
(202) 755-5593

Energy Conservation Standards
for Housing

Division of Energy Building Technology
and Standards
Department of Housing and
Urban Development
Room 8148
Washington, D.C. 20410
(202) 755-6443

Alcohol Fuels

Department of Energy,
Hotlines
1-800-533-5333
1-800-535-2840

STATE SOURCES OF ENERGY INFORMATION

QUESTIONS ABOUT. . .

State Energy Conservation
Building Standards

Local and State Tax Appeals

Grants for Fuel from Wheat and Barley

Financial Institutions Low-Interest
Energy Loans

Low-income Energy Programs

Left-turn-on-red

Alternative Energy Grants

CONTACT. . .

Department of Administration
Building Codes Division
1218 East Sixth
Helena, MT 59601
449-3933

State Tax Appeal Board
1400 11th Ave.
Helena, MT 59601
449-2720

Department of Agriculture
Food and Fuel Coordinator
6th and Roberts
Helena, MT 59601
449-3144

Department of Business Regulation
Financial Division
805 N. Last Chance Gulch
Helena, MT 59601
449-3163

Department of Community Affairs
Human Resources Division
1424 Ninth Ave.
Helena, MT 59601
449-3420

Department of Justice
Motor Vehicle Division
1230 11th Ave.
Helena, MT 59601
449-3800

Department of Natural Resources
and Conservation
Renewable Energy Bureau
32 South Ewing
Helena, MT 59601
449-4624

Energy Conservation Information

Department of Natural Resources
and Conservation
Conservation Bureau
32 South Ewing
Helena, MT 59601
449-3940

Fuel Allocation

Department of Natural Resources
and Conservation
Fuel Allocation Bureau
32 South Ewing
Helena, MT 59601
449-4530

Major Facility Sitings

Department of Natural Resources
and Conservation
Facility Siting Bureau
32 South Ewing
Helena, MT 59601
449-4600

Public Utilities' Low-interest Energy Loans

Public Service Commission
1227 11th Ave.
Helena, MT 59601
449-3007

Tax Credits and Deductions for Energy

Department of Revenue
Research Division
Mitchell Building
Helena, MT 59601
449-2981

Gasohol License Tax and Production

Department of Revenue
Motor Fuels Division
201 E. Sixth
Helena, MT 59601
449-3474

Gasohol and Renewable Energy
Property Taxes

Department of Revenue
Property Assessment Division
Mitchell Building
Helena, MT 59601
449-2808

Income Tax Forms and Filing Questions

Department of Revenue
Income Tax Division
Mitchell Building
P.O. Box 5805
Helena, MT 59601
449-2437
Toll free (January 1 - April 15)
1-800-332-6103

Energy Crisis Assistance Program and
Weatherization for Low Income
and Elderly

The Human Resource Development Council
office in your area. The list follows.

GLENDIVE:	Action for Eastern Montana 306 North Kendricks 59330	365-3364
HAVRE:	District IV HRDC Box 1509 59501	265-6744
GREAT FALLS:	Opportunities, Inc. Box 2532 59401	761-0310
ROUNDUP:	Central Montana District VI HRDC Box 302 59072	323-2547
BILLINGS:	District VII HRDC 2518 First Ave. North 59101	248-7477
HELENA:	Rocky Mountain Development Council Box 721 59601	442-1552
BOZEMAN	District IX HRDC 234 East Main 59715	587-4486
KALISPELL:	Northwest Montana Resource Council Box 1058 59901	755-1567
MISSOULA:	District XI HRDC 207 East Main 59801	728-3710
BUTTE:	Butte-Silver Bow Anti-Poverty Council Box 3486 59701	792-7200

Montana Department of Natural
Resources and Conservation
Energy Division
32 South Ewing
Helena, Montana 59601



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